

FINANCIAL REQUIREMENTS

Captive Type	*Minimum Capital & Surplus
Association Captive	\$500,000
Branch Captive	\$250,000
Industrial Insured Captive	\$500,000
Protected Cell Captive	\$250,000
Pure Captive	\$250,000
Risk Retention Group Captive	\$1,000,000
Special Purpose Financial Captive	\$250,000

**Additional capital and surplus may be required as prescribed by the commissioner based upon the type, volume and nature of business transacted.*



FORM YOUR CAPTIVE IN TENNESSEE

We welcome the opportunity to answer your questions. Please contact us to discuss how forming a Tennessee captive insurance company can benefit your business.

CAPTIVE INSURANCE DIVISION

Tennessee Department
of Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243
615.741.3805

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For additional information visit the
Tennessee Captive Insurance Association
website at www.tncaptives.org



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TENNESSEE

State of Tennessee
Captive Insurance Division

*From the
Smoky Mountains to the
Mississippi River,
a land of opportunity.*

www.captive.tn.gov



WHAT IS A CAPTIVE INSURANCE COMPANY?

A captive insurance company is a formalized form of self-insurance. More broadly: A closely held insurance company whose insurance business is primarily supplied by and controlled by its owners, where the original insureds are the principal beneficiaries. A captive insurance company's insureds have direct involvement and influence over the company's major operations, including underwriting, claims management and investment policy.

TENNESSEE – THE RIGHT PLACE TO FORM A CAPTIVE

- Governor Bill Haslam's regulatory update of Tennessee's captives program became law in 2011. It combines the best practices of all the major captive domiciles in a business-friendly state.
- The Governor and Commerce and Insurance Commissioner Julie Mix McPeak are working to maintain a regulatory environment that ensures the processes of starting and operating captive insurance companies are both reasonable and affordable.
- Tennessee, long prized among businesses as an excellent transportation hub, remains a leading North American destination for relocating companies.



Gov. Bill Haslam



Commissioner
Julie Mix McPeak



Captive Division
Director
Michael A. Corbett

WHY FORM A CAPTIVE?

A captive insurance company represents an option for many corporations and groups that want to take financial control and manage risks by underwriting their own insurance rather than paying premiums to third-party insurers. Captive advantages include:



- Coverage tailored to meet your needs
- Reduced operating costs
- Improved cash flow
- Increased coverage and capacity
- Investment income to fund losses
- Direct access to reinsurance markets
- Funding and underwriting flexibility
- Greater control over claims
- Smaller deductibles for operating units
- Incentives for loss control
- Alternatives to costly practice of trading dollars with underwriters in the working layers of risk
- Tremendous flexibility in managing risk

TYPES AND REQUIREMENTS

- **Association Captives** – A captive insurer having two or more owners, typically members of an industry trade association. Sometimes the association itself is the owner of the captive. This is a generic term for all types of group owned captives.
- **Branch Captive** – A unit of an existing offshore (alien) captive,



licensed in Tennessee to write insurance for its owners and affiliates onshore. The branch is regulated as a pure captive, is taxed only on the branch writings and is required to use an onshore trust for the protection of US policyholders and ceding insurers.

- **Industrial Insured** – An industrial insured captive is one formed to insure the risks produced by a group of industrial entities.
- **Protected Cell** – These entities allow for assets and liabilities on one captive program to be legally segregated from the assets and liabilities of another captive program.
- **Pure Captive** – Also referred to as "single owner captive", insures only the risks of the owner or the owner's subsidiary operations.
- **Risk Retention Group (RRG)** – An entity created under the federal Liability Risk Retention Act, and licensed in any one state to write liability insurance; and may operate nationwide, provided it properly registers with each state in which it proposes to solicit or write insurance.
- **Special Purpose Financial Captive** – Special Purpose Financial Captives are used to secure risk. They are reinsurance companies that issue reinsurance contracts to their parent and cede the risk to the capital markets by way of a bond issue.

